

phone 870.336.3434 1.888.336.4249 fax 870.336.3401 office 2400 Ritter Drive, Jonesboro, AR 72401 www.getritter.info

CONFIDENTIAL FINANCIAL INFORMATION-SUBJECT
TO PROTECTIVE ORDER IN WC DOCKET NOS. 10-90, 07-
135, 05-337, 03-109, CC DOCKET NOS. 01-92, 96-45, GN
DOCKET NO. 09-51, WT DOCKET NO. 10-208, BEFORE
THE FEDERAL COMMUNICATIONS COMMISSION

REDACTED-FOR PUBLIC INSPECTION

July 27, 2014

Received & Inspected

Ms. Marlene Dortch
Secretary of Commission
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

JUN 30 2014

FCC Mail Room

RE: Docket WC Nos. 10-90 and 11-42 FCC Form 481

Dear Ms. Dortch:

Please accept for filing the attached four copies of the redacted, FCC Form 481 for Millington Telephone Company (SAC 290571). This filing is subject to section 0.549 of the FCC's Rules.

Also included is an extra copy of the redacted filing that I request you to date stamp and return to me in the enclosed, postage paid envelope.

If you have any questions about this or need any additional information, I can be contacted at 870-336-2345 or john.strode@rittercommunications.com.

Sincerely,
RITTER COMMUNICATIONS HOLDINGS, INC.

A handwritten signature in black ink that reads 'John Strode'.

John Strode
Vice President

attachments

No. of Copies rec'd
List ABCDE

043

<010>	Study Area Code	290571
<015>	Study Area Name	MILLINGTON TEL CO
<020>	Program Year	2015
<030>	Contact Name: Person USAC should contact with questions about this data	John Strode
<035>	Contact Telephone Number: Number of the person identified in data line <030>	8703362345 ext.
<039>	Contact Email Address: Email of the person identified in data line <030>	John.Strode@RitterCommunications.com

~~Received & Inspected~~

JUN 30 4U14

~~FCC Mail Room~~

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(100) Service Quality Improvement Reporting Data Collection Form		FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010> Study Area Code	290571
<015> Study Area Name	WILLINGTON TEL CO
<020> Program Year	2015
<030> Contact Name - Person USAC should contact regarding this data	John Strode
<035> Contact Telephone Number - Number of person identified in data line <030>	8703362145 ext.
<039> Contact Email Address - Email Address of person identified in data line <030>	John.Strode@WILLCOCommunications.com

<110> Has your company received its ETC certification from the FCC?	(yes / no) <input type="radio"/> <input checked="" type="radio"/>
If your answer to Line <110> is yes, do you have an existing §54.202(a) "5 year plan" filed with the FCC?	(yes / no) <input type="radio"/> <input type="radio"/>

If your answer to Line <111> is yes, then you are required to file a progress report, on line <112> delineating the status of your company's existing § 54.202(a) "5 year plan" on file with the FCC, as it relates to your provision of voice telephony service.

<112> Attach Five-Year Service Quality Improvement Plan or, in subsequent years, your annual progress report filed pursuant to 47 C.F.R. § 54.313(a)(1). If your company is a CETC which only receives frozen support, your progress report is only required to address voice telephony service.

Please check these boxes below to confirm that the attached document(s), on line 112, contains a progress report on its five-year service quality improvement plan pursuant to § 54.202(a). The information shall be submitted at the wire center level or census block as appropriate.

290571tn112.pdf

Name of Attached Document

<113> Maps detailing progress towards meeting plan targets	
<114> Report how much universal service (USF) support was received	
<115> How (USF) was used to improve service quality	
<116> How (USF) was used to improve service coverage	
<117> How (USF) was used to improve service capacity	
<118> Provide an explanation of network improvement targets not met in the prior calendar year.	

(200) Service Outage Reporting (Voice) Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010> Study Area Code	290371
<015> Study Area Name	MILLINGTON TEL CO
<020> Program Year	2015
<030> Contact Name - Person USAC should contact regarding this data	John Strode
<035> Contact Telephone Number - Number of person identified in data line <030>	8703362345 ext.
<039> Contact Email Address - Email Address of person identified in data line <030>	John.Strode@RitterCommunications.com

<220>	<a>	<b1>	<b2>	<b3>	<b4>	<c1>	<c2>	<d>	<e>	<f>	<g>	<h>
	NORS Reference Number	Outage Start Date	Outage Start Time	Outage End Date	Outage End Time	Number of Customers Affected	Total Number of Customers	911 Facilities Affected (Yes / No)	Service Outage Description (Check all that apply)	Did This Outage Affect Multiple Study Areas (Yes / No)	Service Outage Resolution	Preventative Procedures

<Q10>	Study Area Code	230571
<Q15>	Study Area Name	MILLINGTON TEL CO
<Q20>	Program Year	2015
<Q30>	Contact Name - Person USAC should contact regarding this data	John Strode
<Q35>	Contact Telephone Number - Number of person identified in data line <Q30>	8703342345 ext.
<Q39>	Contact Email Address - Email Address of person identified in data line <Q30>	John.Strode@RitterCommunications.com

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(800) Operating Companies
Data Collection Form

FCC Form 481
OMB Control No. 3060-0586/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	290571
<015>	Study Area Name	MILLINGTON TEL CO
<020>	Program Year	2018
<030>	Contact Name - Person USAC should contact regarding this data	John Ritcoe
<035>	Contact Telephone Number - Number of person identified in data line <030>	8703362345 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	John_Ritcoe@RitterCommunications.com
<810>	Reporting Carrier	MILLINGTON TELEPHONE COMPANY, INC.
<811>	Holding Company	BITTER COMMUNICATIONS HOLDINGS, INC.
<812>	Operating Company	

[illegible]

(900) Tribal Lands Reporting
Data Collection Form

FCC Form 481
OMB Control No. 3060-0986/OMB Control No. 3060-0819
July 2013

<010>	Study Area Code	290571
<015>	Study Area Name	WILLINGTON TEL CO
<020>	Program Year	2015
<030>	Contact Name - Person USAC should contact regarding this data	John Strode
<035>	Contact Telephone Number - Number of person identified in data line <030>	8703162345 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	John.Strode@RitterCommunications.com

<910> Tribal Land(s) on which ETC Serves

<920> Tribal Government Engagement Obligation

Name of Attached Document

If your company serves Tribal lands, please select (Yes, No, NA) for each these boxes
to confirm the status described on the attached document(s), on line 920,
demonstrates coordination with the Tribal government pursuant to
§ 54.313(a)(9) includes:

- | | |
|-------|--|
| <921> | Needs assessment and deployment planning with a focus on Tribal community anchor institutions. |
| <922> | Feasibility and sustainability planning; |
| <923> | Marketing services in a culturally sensitive manner; |
| <924> | Compliance with Rights of way processes |
| <925> | Compliance with Land Use permitting requirements |
| <926> | Compliance with Facilities Siting rules |
| <927> | Compliance with Environmental Review processes |
| <928> | Compliance with Cultural Preservation review processes |
| <929> | Compliance with Tribal Business and Licensing requirements. |

Select (Yes, No, NA)

(1100) No Terrestrial Backhaul Reporting Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010> Study Area Code	290571
<015> Study Area Name	WILLINGTON TEL CO
<020> Program Year	2015
<030> Contact Name - Person USAC should contact regarding this data	John Strode
<035> Contact Telephone Number - Number of person identified in data line <030>	8703162345 ext.
<039> Contact Email Address - Email Address of person identified in data line <030>	John.Strode@RitterCommunications.com

Please check this box to confirm no terrestrial backhaul
 <1120> options exist within the supported area pursuant to § 54.313(G)
 ☐

Please check this box to confirm the reporting carrier offers
 <1130> broadband service of at least 1 Mbps downstream and 256 kbps
 upstream within the supported area pursuant to § 54.313(G)
 ☐

(1200) Terms and Condition for Lifeline Customers Lifeline Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010> Study Area Code	294571
<015> Study Area Name	WILLINGTON TEL CO
<020> Program Year	2015
<030> Contact Name - Person USAC should contact regarding this data	John Grada
<035> Contact Telephone Number - Number of person identified in data line <030>	8703362345 ext.
<039> Contact Email Address - Email Address of person identified in data line <030>	John.Grada@littellcommunications.com

<1210> Terms & Conditions of Voice Telephony Lifeline Plans

Name of Attached Document

<1220> Link to Public Website

HTTP

"Please check these boxes below to confirm that the attached document(s), on line 1210, or the website listed, on line 1220, contains the required information pursuant to § 54.422(a)(2) annual reporting for ETCs receiving low-income support, carriers must annually report:

- <1221> Information describing the terms and conditions of any voice telephony service plans offered to Lifeline subscribers, ☒
- <1222> Details on the number of minutes provided as part of the plan, ☒
- <1223> Additional charges for toll calls, and rates for each such plan. ☒

(2000) Price Cap Carrier Additional Documentation Data Collection Form <i>Including Rate-of-Return Carriers affiliated with Price Cap Local Exchange Carriers</i>	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010> Study Area Code	250571
<015> Study Area Name	WILLIAMSON TEL CO
<020> Program Year	2015
<030> Contact Name - Person USAC should contact regarding this data	John Berode
<035> Contact Telephone Number - Number of person identified in data line <030>	8703262345 ext.
<039> Contact Email Address - Email Address of person identified in data line <030>	John.Berode@WilleamCommunications.com

CHECK the boxes below to note compliance as a recipient of Incremental Connect America Phase I support, frozen High Cost support, High Cost support to offset access charge reductions, and Connect America Phase II support as set forth in 47 CFR § 54.313(b),(c),(d),(e) the information reported on this form and in the documents attached below is accurate.

Incremental Connect America Phase I reporting	
<2010> 2nd Year Certification (47 CFR § 54.313(b)(1))	<input type="checkbox"/>
<2011> 3rd Year Certification (47 CFR § 54.313(b)(2))	<input type="checkbox"/>
Price Cap Carrier Receiving Frozen Support Certification (47 CFR § 54.312(a))	
<2012> 2013 Frozen Support Certification	<input type="checkbox"/>
<2013> 2014 Frozen Support Certification	<input type="checkbox"/>
<2014> 2015 Frozen Support Certification	<input type="checkbox"/>
<2015> 2016 and future Frozen Support Certification	<input type="checkbox"/>
Price Cap Carrier Connect America ICC Support (47 CFR § 54.313(d))	
<2016> Certification Support Used to Build Broadband	<input type="checkbox"/>
Connect America Phase II Reporting (47 CFR § 54.313(e))	
<2017> 3rd year Broadband Service Certification	<input type="checkbox"/>
<2018> 5th year Broadband Service Certification	<input type="checkbox"/>
<2019> Interim Progress Certification	<input type="checkbox"/>
<2020> Please check the box to confirm that the attached document(s), on line 2021, contains the required information pursuant to § 54.313 (e)(3)(ii), as a recipient of CAF Phase II support shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.	<input type="checkbox"/>
<2021> Interim Progress Community Anchor Institutions	<div style="border: 1px solid black; height: 40px; width: 100%;"></div>

Name of Attached Document Listing Required Information

(3000) Rate Of Return Carrier Additional Documentation Data Collection Form	FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
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<010> Study Area Code	208571
<015> Study Area Name	MILLINGTON TEL CO
<020> Program Year	2013
<030> Contact Name - Person USAC should contact regarding this data	John Scorda
<035> Contact Telephone Number - Number of person identified in data line <030>	873362145 ext
<039> Contact Email Address - Email Address of person identified in data line <030>	John.Scorda@millcomtel.com

CHECK the boxes below to note compliance on its five year service quality plan (pursuant to 47 CFR § 54.313(a)) and, for privately held carriers, ensuring compliance with the financial reporting requirements set forth in 47 CFR § 54.313(f)(2). I further certify that the information reported on this form and in the documents attached below is accurate.

(3010) Progress Report on 5 Year Plan
 Milestone Certification (47 CFR § 54.313(f)(1)(i))

Name of Attached Document Listing Required Information

(3011) Please check this box to confirm that the attached document(s), on line 3012 contains the required information pursuant to § 54.313 (f)(1)(ii), the carrier shall provide the number, names, and addresses of community anchor institutions to which began providing access to broadband service in the preceding calendar year.

Name of Attached Document Listing Required Information

(3012) Community Anchor Institutions (47 CFR § 54.313(f)(1)(iii))

(3013) Is your company a Privately Held ROR Carrier (47 CFR § 54.313(f)(2))

(3014) If yes, does your company file the RUS annual report

(Yes/No) ☒ Yes ☐ No

Please check these boxes to confirm that the attached document(s), on line 3017, contains the required information pursuant to § 54.313(f)(2) compliance requires

(3015) Electronic copy of their annual RUS reports (Operating Report for Telecommunications Borrowers)

(3016) Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows

(3017) If the response is yes on line 3014, attach your company's RUS annual report and all required documentation

Name of Attached Document Listing Required Information

(3018) If the response is no on line 3014, is your company audited?

(Yes/No) ☒ Yes ☐ No

If the response is yes on line 3018, please check the boxes below to confirm your submission, on line 3026 pursuant to § 54.313(f)(2), contains

(3019) Either a copy of their audited financial statements; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications

(3020) Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows

(3021) Management letter issued by the independent certified public accountant that performed the company's financial audit

If the response is no on line 3018, please check the boxes below to confirm your submission, on line 3028 pursuant to § 54.313(f)(2), contains:

(3022) Copy of their financial statement which has been subject to review by an independent certified public accountant; or (2) a financial report in a format comparable to RUS Operating Report for Telecommunications Borrowers

(3023) Underlying information subjected to a review by an independent certified public accountant

(3024) Underlying information subjected to an officer certification

(3025) Document(s) for Balance Sheet, Income Statement and Statement of Cash Flows

Name of Attached Document Listing Required Information

Certification - Reporting Carrier Data Collection Form	FCC Form 481 OMB Control No. 3060-0985/OMB Control No. 3060-0819 July 2013
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<010> Study Area Code	290571
<015> Study Area Name	MILLINGTON TEL CO
<020> Program Year	2015
<030> Contact Name - Person USAC should contact regarding this data	John Strobe
<035> Contact Telephone Number - Number of person identified in data line <030>	8703362345 ext.
<039> Contact Email Address - Email Address of person identified in data line <030>	John.Strobe@RitterCommunications.com

TO BE COMPLETED BY THE REPORTING CARRIER, IF THE REPORTING CARRIER IS FILING ANNUAL REPORTING ON ITS OWN BEHALF:

Certification of Officer as to the Accuracy of the Data Reported for the Annual Reporting for CAF or LI Recipients	
I certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual reporting requirements for universal service support recipients; and, to the best of my knowledge, the information reported on this form and in any attachments is accurate.	
Name of Reporting Carrier: MILLINGTON TEL CO	
Signature of Authorized Officer: CERTIFIED ONLINE	Date 06/27/2014
Printed name of Authorized Officer: John Strobe	
Title or position of Authorized Officer: VP External Affairs	
Telephone number of Authorized Officer: 8703362345 ext.	
Study Area Code of Reporting Carrier: 290571	Filing Due Date for this form: 07/01/2014
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

Certification - Agent / Carrier Data Collection Form		FCC Form 481 OMB Control No. 3060-0986/OMB Control No. 3060-0819 July 2013
<010> Study Area Code	290571	
<015> Study Area Name	MILLINGTON TEL CO	
<020> Program Year	2015	
<030> Contact Name - Person USAC should contact regarding this data	John Strode	
<035> Contact Telephone Number - Number of person identified in data line <030>	8703362345 ext.	
<039> Contact Email Address - Email Address of person identified in data line <030>	John.Strode@RitterCommunications.com	

TO BE COMPLETED BY THE REPORTING CARRIER, IF AN AGENT IS FILING ANNUAL REPORTS ON THE CARRIER'S BEHALF:

Certification of Officer to Authorize an Agent to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I certify that (Name of Agent) _____ is authorized to submit the information reported on behalf of the reporting carrier. I also certify that I am an officer of the reporting carrier; my responsibilities include ensuring the accuracy of the annual data reporting requirements provided to the authorized agent; and, to the best of my knowledge, the reports and data provided to the authorized agent is accurate.	
Name of Authorized Agent: _____	
Name of Reporting Carrier: _____	
Signature of Authorized Officer: _____	Date: _____
Printed name of Authorized Officer: _____	
Title or position of Authorized Officer: _____	
Telephone number of Authorized Officer: _____	
Study Area Code of Reporting Carrier: _____	Filing Due Date for this form: _____
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

TO BE COMPLETED BY THE AUTHORIZED AGENT:

Certification of Agent Authorized to File Annual Reports for CAF or LI Recipients on Behalf of Reporting Carrier	
I, as agent for the reporting carrier, certify that I am authorized to submit the annual reports for universal service support recipients on behalf of the reporting carrier; I have provided the data reported herein based on data provided by the reporting carrier; and, to the best of my knowledge, the information reported herein is accurate.	
Name of Reporting Carrier: _____	
Name of Authorized Agent or Employee of Agent: _____	
Signature of Authorized Agent or Employee of Agent: _____	Date: _____
Printed name of Authorized Agent or Employee of Agent: _____	
Title or position of Authorized Agent or Employee of Agent: _____	
Telephone number of Authorized Agent or Employee of Agent: _____	
Study Area Code of Reporting Carrier: _____	Filing Due Date for this form: _____
Persons willfully making false statements on this form can be punished by fine or forfeiture under the Communications Act of 1934, 47 U.S.C. §§ 502, 503(b), or fine or imprisonment under Title 18 of the United States Code, 18 U.S.C. § 1001.	

Attachments

Five-Year Network Improvement Plan
For Millington Telephone Company, Inc.

In its *USF/ICC Transformation Order* and subsequent Orders, the Federal Communications Commission ("FCC" or "Commission") requires Eligible Telecommunications Carriers ("ETCs") to submit a five-year build-out plan in a manner consistent with Section 54.202(a)(1)(ii) of the Commission's Rules by July 1, 2014 and to submit annual progress reports thereafter.¹ Section 54.202(a) (1) (ii) states in part that ETCs are to "[s]ubmit a five-year plan that describes with specificity proposed improvements or upgrades to the [ETC's] network throughout its proposed service area. Each [ETC] shall estimate the area and population that will be served as a result of the improvements"²

In its *March 5, 2013 Order*, the FCC specified that for rate-of-return carriers, the five-year plans "should describe the carrier's network improvement plan, which should provide greater visibility into current plans to extend broadband service to unserved locations in rate-of-return service territories."³ Millington Telephone Company, Inc.

¹ See *Connect America Fund; A National Broadband Plan for Our Future; Establishing Just and Reasonable Rates for Local Exchange Carriers; High-Cost Universal Service Support; Developing a Unified Inter-carrier Compensation Regime; Federal-State Joint Board on Universal Service; Lifeline and Link-Up; Universal Service Reform—Mobility Fund*; WC Docket Nos. 10-90, 07-135, 05-337, 03-109, CC Docket Nos. 01-92, 96-45, GN Docket No. 09-51, WT Docket No. 10-208, Report and Order and Further Notice of Proposed Rulemaking, FCC 11-61 (rel. Nov. 18, 2011) (*USF/ICC Transformation Order*) at Para. 587; *pets. for review denied*, Direct Comm. Cedar Valley, et al v. FCC, No. 11-9900, www.ca10.uscourts.gov/opinions/11/11-9900.pdf (10th Cir. May 23, 2014); see also *Connect America Fund et al.*, WC Docket 10-90 et al., Order, DA 12-147 (rel. Feb. 12, 2012) at Para. 5 (amending Section 54.313(a)(1) to clarify this requirement); *Connect America Fund et al.*, WC Docket 10-90 et al., Third Order on Reconsideration, FCC 12-52 (rel. May 14, 2012) at Para. 10 (changing the filing deadline for the annual reports from April 1 to July 1); *Connect America Fund et al.*, WC Docket 10-90 et al., Order, DA 13-332 (rel. Mar. 5, 2013) ("*March 5, 2013 Order*") at Para's. 4, 6-9. Delaying Five Year Plan until July 1, 2014 see WC Docket No. 10-90, Order, DA 13-1115, Para. 8 (released May 16, 2013).

² 47 C.F.R. § 54.202(a) (1) (ii).

³ *March 5, 2013 Order* at Para. 9 citing Section 54.202(a) (1) (ii).

("Millington Telephone" or the "Company") is a rate-of-return carrier ETC and hereby submits its five-year network improvement plan.

I. The Challenges Faced by the Company in Providing Voice and Broadband to its Rural Service Area

A. Description of the Company and its Service Area



B. The Exchanges Contained Within the Company's Study Area

Millington Telephone Company, Inc. serves the combined exchange area(s) of:



II. The Company Has Used and Will Use Universal Service Support Only For the Intended Purposes

Section 254(e) of the Communications Act of 1934, as amended requires ETCs to use Universal Service support ("USF") "only for the provision, maintenance, and

upgrading of facilities and services for which the support is intended.”⁴ Pursuant to Section 54.314 of the FCC’s rules, in order for state-designated ETCs to receive USF for the coming year, states must annually file certifications by October 1 stating that all federal high-cost support provided to such carriers within the state “was used in the preceding calendar year and will be used in the coming calendar year only for the provision, maintenance, and upgrading of facilities and services for which the support is intended.”⁵ ETCs not designated by a state must file similar certifications with the FCC.⁶

In its *USF/ICC Transformation Order*, the FCC clarified that prior to making the Section 254(e) certifications, states should conduct a “rigorous examination of the factual information” contained in the annual Section 54.313 reports, of which the five year network improvement plan and annual progress reports are a part, in determining whether they can certify that carriers’ support has been used and will be used only for the purpose for which the support was intended.⁷ The FCC said that it would also use the reports to verify certifications filed by ETCs that are not state-designated.⁸ In this context, the Commission stated, “[i]n light of the public interest obligations we adopt in this Order, a key component of this [Section 254(e)] certification will now be that support is being used to maintain and extend modern networks capable of providing voice and broadband service.”⁹

⁴ 47 U.S.C. § 254(e).

⁵ 47 C.F.R. § 54.314(a).

⁶ 47 C.F.R. § 54.314(b).

⁷ See *USF/ICC Transformation Order* at Para. 612.

⁸ *Id.*

⁹ *Id.* (emphasis supplied).

Essentially, under the existing rules and processes, the federal USF received by the Company and other incumbent rural telephone companies are, in fact, an integral part of the recovery of expenditures of rural incumbent local exchange carriers incurred in the provision, maintenance and upgrading of their provision of facilities and services for which the USF is intended. Millington Telephone Company, Inc. depends upon its receipt and utilization of federal universal service support to provide rural telephone customers with affordable and quality voice and broadband services.

Accordingly, given the critical role the network improvement plan and the progress reports will have in the annual Section 254(e) certification process, Millington Telephone Company Inc.'s plan and progress reports will demonstrate not only how Millington Telephone has used and will use USF not only for improvements and upgrades, but also for the provision and maintenance of the facilities and services to which the support was intended.

III. Millington Telephone Company Inc.'s Five-Year Network Improvement Plan

When the Commission adopted its five-year plan requirements for FCC-designated ETCs in its *2005 ETC Order*, it set forth the following criteria as to how the ETC is to describe with "specificity" the proposed improvements or upgrades to the ETC's network throughout its service area:

- (1) how signal quality, coverage, or capacity will improve due to the receipt of high-cost support throughout the area for which the ETC seeks designation; (2) the projected start date and completion date for each improvement and the estimated amount of investment for each project that is funded by high-cost support; (3) the specific geographic areas where the

improvements will be made; and (4) the estimated population that will be served as a result of the improvements.¹⁰

In that order, the FCC clarified that service quality improvements in the five-year plan “do not necessarily require additional construction of network facilities.”¹¹ Accordingly, the improvements listed in the plan may be projects related to the expansion of the network (one or multiple services), projects related to updating technology to accommodate new services or higher bandwidth or maintenance projects, such as to reduce trouble reports or replace outdated equipment. Additionally, in some cases, the projects may be ones that improve or upgrade the entire network rather than discrete areas within a study area or they may be ones that are ongoing projects that have no specific start and completion dates.

The instructions to the Form 481 state “[r]ecipients may describe where improvements are expected to occur by wire center or census block, as appropriate. To the extent no improvements are planned in specific areas, the five-year plan should so indicate.”¹² The instructions also require that in subsequent years, ETCs must file a progress report on the five-year plan, pursuant to 47 C.F.R. §54.313(a)(1), including maps explaining progress towards meeting the deployment targets, the amount of universal service support received, how support was used to improve service quality, coverage, or capacity, and an explanation regarding any network improvement targets that have not been fulfilled in the prior calendar year. The information regarding the total

¹⁰ *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report and Order, FCC 05-46 (rel. Mar. 17, 2005) (“2005 ETC Order”).

¹¹ *Id.*

¹² Instructions for Completing FCC Form 481, OMB Control No. 3060-0986 (High-Cost), OMB Control No. 3060-0819 (Low-Income), March 2014, Line 112

amount of universal service support received must also be broken out separately by the amount spent on capital expenses and the amount spent on operating expenses.¹³

Accordingly, Millington Telephone Company Inc.'s five-year plan separately provides both capital expenditures and operating expenses.

A. Millington Telephone's Major Network Improvement Projects

Based upon this framework, Appendix A reflects Millington Telephone Company, Inc.'s major network improvement projects for the year 2015 through calendar year 2019¹⁴ along with the start and completion dates, capital costs, areas and population associated with those projects.

B. How These Projects Will Improve the Network



C. Estimated Capital Expenditures and Operating Expenses

The first table in Appendix B included herein specifies the Capital Expenditures (projects) in Appendix A, by Part 32 account, along with the respective year in which the expenditures are expected to occur. In the second table of Appendix B, the projected

¹³ Instructions for Completing FCC Form 481, OMB Control No. 3060-0986 (High-Cost), OMB Control No. 3060-0819 (Low-Income), March 2014, Line 112

¹⁴ Although the FCC has not specified what it considers to be "year one" of the five year plan, the Company believes that it is the FCC's intent for the calendar year 2015 to be considered "year one" due to the fact that the first progress report on the plan is due July 1, 2015 and all of the other reporting requirements contained in Section 54.313 are based on the calendar year.

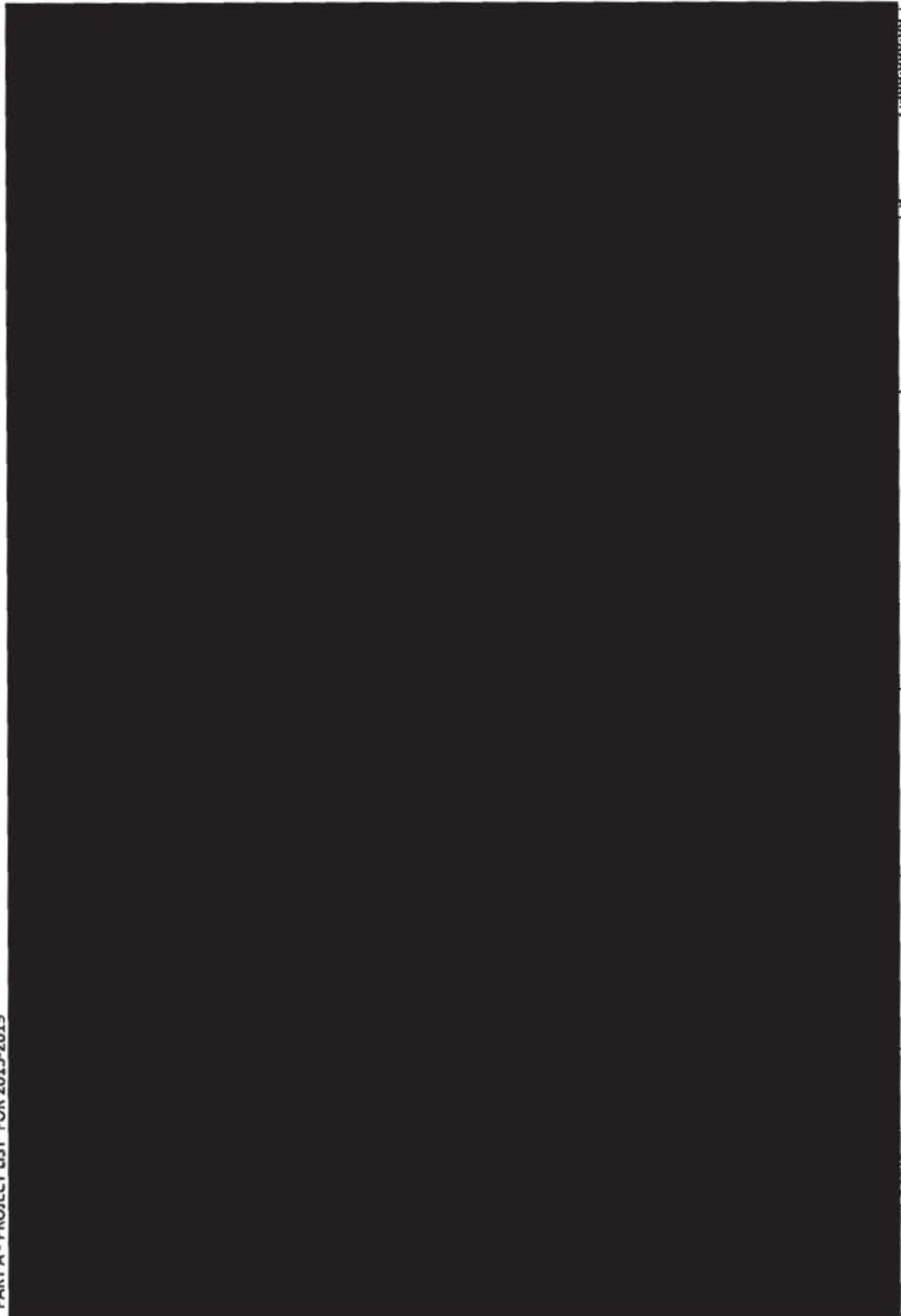
290571tn112

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operating expenses are provided, including depreciation expense for both embedded plant investment and for Capital Expenditures, which begins when the Capital Expenditures are projected to be placed into service.

Study Area Code	290571
Study Area Name	Millington Telephone Company, Inc.
Company Contact Name	John Strode
Contact Telephone Number	870.336.2345
Contact Email Address	John.Strode@RitterCommunications.com

PART A - PROJECT LIST FOR 2015-2019



Study Area Code	290571
Study Area Name	Millington Telephone Company, Inc.
Company Contact Name	John Strode
Contact Telephone Number	870.336.2345
Contact Email Address	John.Strode@BitterCommunications.com

Part 8: 5-Year Proposed Capital Expenditures and Operating Expenses



Millington Telephone Company

FCC 481 290571tn510

In establishing this certification in its *2005 ETC Order*,¹ the FCC found that an ETC must make "a specific commitment to objective measures to protect consumers."² The Commission found that for wireless ETCs, compliance with CTIA's Consumer Code for Wireless Service would satisfy this requirement" and that the sufficiency of other commitments would be considered on a case-by-case basis.³ In this context, the FCC stated, "to the extent a wireline or wireless ETC applicant is subject to consumer protection obligations under state law. Compliance with such laws may meet our requirement."⁴

Millington Telephone Company, Inc. ("Company") hereby certifies that it is complying with applicable service quality standards and consumer protection rules. The Company is subject to consumer protection obligations under state law. These obligations include, but are not limited to, the following:

(1) filing a Local Exchange Tariff pursuant to the requirements of the Tennessee Regulatory Authority (TRA) which disclose rates, terms and conditions of service to customers;

(2) consumer protection requirements governing telephone providers which require adherence to TRA's Regulations Governing Service supplied by Telephone Utilities set forth in Chapter 1220-4-2 Regulations for Telephone Companies. The basic

¹ *Federal-State Joint Board on Universal Service*, CC Docket No. 96-45, Report and Order, FCC 05-46 (rel. Mar. 17, 2005) ("*2005 ETC Order*").

² *Id.* at para. 28.

³ *Id.* The FCC noted that under the CTIA Consumer Code, wireless carriers agree to: "(1) disclose rates and terms of service to customers; (2) make available maps showing where service is generally available; (3) provide contract terms to customers and confirm changes in service; (4) allow a trial period for new service; (5) provide specific disclosures in advertising; (6) separately identify carrier charges from taxes on billing statements; (7) provide customers the right to terminate service for changes to contract terms; (8) provide ready access to customer service; (9) promptly respond to consumer inquiries and complaints received from government agencies; and (10) abide by policies for protection of consumer privacy." *Id.* at n. 71.

⁴ *Id.* at n. 72.

Millington Telephone Company

FCC 481 290571tn510

utility obligations include: (a) Each telephone utility shall provide telephone service to the public in its service area. (b) Each telephone utility has the obligation of continually reviewing its operations to assure the furnishing of adequate service.

(3) Where a telephone utility is generally operated in conjunction with any other enterprise, suitable records shall be maintained so that the results of the of the telephone operation may be determined upon reasonable notice and request by the Authority

(4) Business offices shall be so located and staffed that customers and the public will have convenient access to qualified personnel, including supervisory personnel where warranted, to answer questions relating to services and rates, accept and process applications for service, explain charges on customers' bills, adjust charges made in error and in general, represent the utility to the customer.

(a) Where one business office serves several communities toll-free calling to the business office from such communities shall be provided. By means of directory information or assistance, signs on company buildings and property, newspaper advertising or other methods necessary, the utility shall keep its customers and the public advised as to means of contacting the business office.

(b) Business office services will be available to the customers and the public during the normal hours of the normal work week, excluding holidays and at such other times as may be warranted by circumstances.

(c) It will be the responsibility of the utility to insure that qualified personnel, instructed to be courteous, considerate and efficient, are available to promptly serve those who contact the business office.

Millington Telephone Company

FCC 481 290571tn510

(d) The utility shall inform the customer of any service connection charge to be applied to his bill and the monthly charge for the service ordered, with the exception of business customers not requiring this information, prior to undertaking any action to furnish the service ordered. To customers inquiring about new service, the utility shall provide any information and assistance necessary to obtain service conforming to the customer's needs.

Customer billing guidelines are set forth in TRA regulation 1220-4-2-.10 include:

(1) Bills to customers shall be rendered regularly and shall contain a listing of all charges. Utilities shall comply with reasonable customer requests for an itemized statement of charges.

(2) In the event the customer's service is interrupted other than by negligence or willful act of the customer and it remains out of order in excess of twenty-four (24) hours after being reported, appropriate adjustments or refunds shall be made to the customer, upon the customer's request. The refund to the customer shall be the pro rata part of the month's charge for the period of days and that portion of the service and facilities rendered useless or inoperative. The refund may be accomplished by a credit on the subsequent bill for telephone service.

(3) A bill insert should be included in the first bill after the effective date of this rule informing the customer of his/her refund option. When new phone books are printed the Call-Guide will contain a customer refund section

Millington Telephone Company

FCC 481 290571tn510

TRA customer complaints are handled pursuant to TRA guidelines included in 1220-4-1-

.13 and include:

(a) A full and prompt investigation of all types of complaints made by its customers

(b) If the use of service interferes unreasonably with the necessary use of the other customers, a customer may be required to take insufficient quantity of different class or grade

(c) Each telephone utility shall within (10) working days, after receipt of a complaint forwarded by the Authority, file a written reply with the Authority.

In addition, the Company is subject to consumer protection obligations under state law relating to truth-in-billing requirements, CPNI, Red Flag Rules and other applicable federal and state requirements governing the protection of customers' privacy.

MILLINGTON TELEPHONE CO., INC.

290571tn610.docx

Millington Telephone Co., Inc. (The Company), hereby certifies that it is able to function in emergency situations as set forth in §54.202(a)(2).¹ The Company's network is designed to remain functional in emergency situations without an external power source, is able to reroute traffic around damaged facilities, and is capable of managing traffic spikes resulting from emergency situations as required by Section 54.202(a)(2). The Company can change call routing translations as needed to reroute traffic around damaged facilities. Changing call routing translations will also allow the Company to manage traffic spikes throughout its network, as emergency situations require.

Specifically, each central office building is supplied with standby generators and battery back-up that enable the central office to keep running until power is restored so long as fuel is available, or until system changes are made to reroute traffic. The Company has battery backup at all office locations and in its electronic equipment sites. Length of run time is determined by the equipment serving the area and the number of customers working out of the equipment. Generators are installed at all Central Office locations. They will continue to run as long as the Company has access to propane.

¹ Section 54.202(a)(2) requires ETCs that are designated by the Commission to "demonstrate its ability to remain functional in emergency situations, including a demonstration that it has a reasonable amount of back-up power to ensure functionality without an external power source, is able to reroute traffic around damaged facilities, and is capable of managing traffic spikes resulting from emergency situations."

MILLINGTON TELEPHONE CO., INC.

290571tn610.pdf

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¹ Section 54.202(a)(2) requires ETCs that are designated by the Commission to "demonstrate its ability to remain functional in emergency situations, including a demonstration that it has a reasonable amount of back-up power to ensure functionality without an external power source, is able to reroute traffic around damaged facilities, and is capable of managing traffic spikes resulting from emergency situations."

290571tn1010

Name: Millington Telephone Company, Inc.

SAC: 290571

SPIN: 143001634

LINE 1010 – VOICE SERVICE RATE COMPARABILITY

Millington Telephone Company, Inc.'s fixed voice service is \$13.15 which is below the urban floor rate of \$20.46. Therefore, Millington Telephone Company, Inc. 's fixed voice service is not more than two standard deviations above the national average.

<701>	Residential Local Service Charge Effective Date	1/1/2014
<702>	Single State-wide Residential Local Service Charge	

[illegible]

[illegible]

<010>	Study Area Code	299571
<015>	Study Area Name	MILLINGTON TEL CO
<020>	Program Year	2015
<030>	Contact Name - Person USAC should contact regarding this data	John Strode
<035>	Contact Telephone Number - Number of person identified in data line <030>	8703362345 ext.
<039>	Contact Email Address - Email Address of person identified in data line <030>	John.Strode@RitterCommunications.com
<810>	Reporting Carrier	MILLINGTON TELEPHONE COMPANY, INC.
<811>	Holding Company	BITTER COMMUNICATIONS HOLDINGS, INC.
<812>	Operating Company	

[illegible]

MILLINGTON TELEPHONE COMPANY INC
GENERAL EXCHANGE TARIFF

MISCELLANEOUS SUPPORT PROGRAMS

TRA No. 1
Section 8
Original Page 11

8.3 Link-Up Tennessee

A. General

Link-up Tennessee is offered in all exchanges to provide subsidized assistance to qualifying applicants. It is intended to preserve and promote subscribership among low income households by providing a credit to the installation and connection charge applicable to the provisioning of residence service.

B. Regulations

1. Persons wishing to qualify for the credit must meet state certification criteria for eligibility. This credit is available only to residence customers, and will be applied to the non-recurring charges for the establishment of service for a single telephone line per household, at the principle place of residence.
2. The subscriber must not be a dependent for federal income tax purposes, unless the subscriber is more than sixty (60) years of age.
3. The subscriber must meet the requirements of a state established income test.

C. Rates and Charges

A non-recurring credit in the amount of one-half (maximum of \$30.00) of the installation and connection charges will be applied to the subscribers total non-recurring installation and connection charge.

8.4 In-Class Room Computer Access

A. General

With the exception of the monthly rates for In-Classroom Computer Access Service, Millington Telephone Co., Inc concurs in the rules, regulations, and connection charges governing the provision of this service (See BellSouth General Subscriber Tariff, Section A3.32, Pages 77 and 78). This shall include all free public libraries in any city, county, or town.

B. Regulations

This service is for computer access only. It does not replace administrative business lines. Recurring charge includes touch tone conditioning. It does not include the FCC End User Charge or E-911 charges. These charges will be added to the monthly rate.

C. Rates and Charges

Monthly rate for this service shall be: \$17.00

Moved from Section 4, 5th Revised Page 5 and 2nd Revised Page 6

ISSUED: November 18, 1999

EFFECTIVE: January 3, 2000

W. S. HOWARD, President

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MILLINGTON TELEPHONE COMPANY INC
GENERAL EXCHANGE TARIFF

MISCELLANEOUS SUPPORT PROGRAMS

TRA No. 1

Section 8

3rd Revised Page 12

Cancels 2nd Revised Page 12

8.5 Life Line Assistance Program

A. General

The LifeLine Assistance Program was designed to make telephone service available to eligible residential subscribers. The discounts apply to monthly recurring rates and qualifying residential customers. Discounts are applied to existing tarified rates and charges for residential telephone service.

B. Regulations

1. LifeLine Service is available only with residential service, excluding foreign exchange service.
2. LifeLine Service is limited to one line per household at the customer's primary residence.
3. The federal and state credits are applied to the Local Service bills for qualified residential recipients of aid to Families with Dependent Children (AFDC) Supplemental Security Income (SSI), Food Stamps, Medicaid or to customer's with household total gross annual income at or below 125% of the federal poverty level.
4. Applications for this service will be verified with the state agency responsible for administration of the programs mentioned in the preceding No. 3.
5. The company will process all applications and apply the appropriate credit on the customer's monthly bill.
6. Customers of LifeLine Service must notify the Company of any changes that would affect qualification. Verification of eligibility will take place initially and at a minimum annually each year of service thereafter. When the customer is no longer eligible for LifeLine Service, the discount will be discontinued and regular tariff rates and charges would apply.
7. DDD Toll Restriction is offered at no charge to LifeLine customers. No deposit is required from a LifeLine customer if DDD Toll Restriction is added to their line.

C. Rates and Charges

Monthly Credit (maximum of one line per qualified customer)

1. A discount of **\$10.00** will be given as a Federal LifeLine Service credit, plus a state credit of \$3.50 for a total of **\$13.50** each month.
2. Non-recurring charges are the same as Link-Up Tennessee. See Section 8.3, Original Page 11.

C
C

ISSUED: December 4, 2003

EFFECTIVE: July 1, 2003

W. S. HOWARD, President



MILLINGTON TELEPHONE COMPANY, INC.

Consolidated Financial Statements

December 31, 2013 and 2012

**(With Independent Auditors' Report and
Independent Auditors' Report on Internal Control and Compliance Thereon)**



KPMG LLP
Suite 900
50 North Front Street
Memphis, TN 38103-1194

Independent Auditors' Report

The Board of Directors and Shareholder
Millington Telephone Company, Inc.:

We have audited the accompanying consolidated financial statements of Millington Telephone Company, Inc. and subsidiary (the Company), which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income, stockholder's equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the 2013 and 2012 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Millington Telephone Company, Inc. and subsidiary as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Other Matter

As part of our audits of the 2013 and 2012 consolidated financial statements, we also audited the adjustments described in note 2 that were applied to restate retained earnings as of December 31, 2011. In our opinion, such adjustments are appropriate and have been properly applied.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2014, on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

KPMG LLP

March 31, 2014

MILLINGTON TELEPHONE COMPANY, INC.

Consolidated Balance Sheets

December 31, 2013 and 2012

Assets

Current assets:

Cash
Accounts receivable, net
Receivable from RUS
Materials and supplies
Prepaid expenses
Deferred income taxes
Income taxes receivable from E. Ritter & Company
Due from affiliates

Total current assets

Noncurrent assets:

Nonregulated property and equipment, net

Telephone plant:

In-service
Under construction

Total telephone plant

Less accumulated depreciation

Net telephone plant

Liabilities and Stockholder's Equity

Current liabilities:

Accounts payable
Current maturities of long-term debt
Accrued expenses
Customer deposits and advance billings
Due to affiliates
Other

Total current liabilities

Long-term liabilities and deferred credits:

Long-term debt
Deferred income taxes
Pension liability
Other

Total long-term liabilities and deferred credits

Stockholder's equity:

Common stock, no par value; [REDACTED] shares authorized, issued and
outstanding
Retained earnings
Accumulated other comprehensive loss

Total stockholder's equity

See accompanying notes to consolidated financial statements.

MILLINGTON TELEPHONE COMPANY, INC.

Consolidated Statements of Operations

Years ended December 31, 2013 and 2012

Operating revenue:	
Local service	\$
Network access	
Data	
Long distance	
Other	
Nonregulated sales	
Total operating revenue	
Operating expenses:	
Plant operations	
Depreciation	
Customer operations	
Corporate operations	
Data cost of sales	
Nonregulated expenses	
Taxes – other than income taxes	
Total operating expenses	
Operating loss	
Other income (expense):	
Interest income	
Interest expense	
Gain on extinguishment of post-retirement benefit plan	
Transaction expenses from sale of Company	
Other	
Total other income (expense), net	
Income (loss) before income taxes	
Provision for income taxes	
Net loss	\$

See accompanying notes to consolidated financial statements.

MILLINGTON TELEPHONE COMPANY, INC.

Consolidated Statements of Comprehensive Income

Years ended December 31, 2013 and 2012

Net loss

Other comprehensive income, net of tax:

Defined benefit pension plan

Comprehensive income

\$

\$

See accompanying notes to consolidated financial statements.

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MILLINGTON TELEPHONE COMPANY, INC.
 Consolidated Statements of Stockholder's Equity
 Years ended December 31, 2013 and 2012

	Common stock	Preferred stock	Retained earnings unconsolidated	Retained earnings consolidated	Accumulated other comprehensive loss	Total
Balances at December 31, 2011						
Impact of restatement adjustments (note 2)						
Balances at December 31, 2011, as restated						
Net loss						
Defined benefit pension plan, net of taxes						
Redemption of preferred stock						
Balance at December 31, 2012						
Net loss						
Dividend to parent						
Defined benefit pension plan, net of taxes						
Defined benefit pension transfer to ERC						
Balance at December 31, 2013						

See accompanying notes to consolidated financial statements.

290571tn3026.pdf

MILLINGTON TELEPHONE COMPANY, INC.

Consolidated Statements of Cash Flows
Years ended December 31, 2013 and 2012

	2013	2012
Cash flows from operating activities:		
Net loss		
Adjustments to reconcile net loss to net cash provided by operating activities:		
Noncash operating activities:		
Depreciation of telephone plant and nonregulated property and equipment		
Defined benefit pension plan		
Postretirement benefits		
Gain on termination of postretirement benefits		
Provision for deferred income taxes		
Uncollectible operating revenues		
Gain on sale of property, plant and equipment		
Changes in operating assets and liabilities:		
Accounts receivable		
Receivable from RUS		
Materials and supplies		
Prepaid expenses		
Due to/from affiliates		
Income taxes		
Accounts payable		
Accrued expenses		
Customer deposits and advance billings		
Defined benefit pension plan contribution		
Other		
Net cash provided by operating activities		
Cash flows from investing activities:		
Net repayments of receivables from Millington CATV, Inc.		
Proceeds from the sale or maturity of investments		
Proceeds from the sale of property, plant and equipment		
Purchase of property, plant and equipment		
Net cash provided by (used in) investing activities		
Cash flows from financing activities:		
Payment of dividends		
Proceeds from short-term borrowings		
Payments on long-term debt		
Redemption of preferred stock		
Net cash used in financing activities		
Net increase (decrease) in cash		
Cash:		
Beginning of year		
End of year		
Supplemental cash flow disclosures:		
Interest paid		
Income taxes paid (refunded)		

See accompanying notes to consolidated financial statements.

MILLINGTON TELEPHONE COMPANY, INC.

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

On December 11, 2012, Millington Telephone Company, Inc. (the Company) became a wholly owned subsidiary of E. Ritter Communications Holdings, Inc. (RCH or the Parent), which is a wholly owned subsidiary of E. Ritter & Company (ERC).



(b) General Disclosure of Regulatory Matters

The Company's telephone operations are regulated in nature and its telephone accounting records are maintained in accordance with the rules and regulations of the Tennessee Regulatory Authority (TRA), which substantially adhere to the rules and regulations of the Federal Communications Commission. The Company's regulated operations are subject to the provisions of Financial Accounting Standards Board Accounting Standards Codification (ASC) Topic 980, *Regulated Operations*. The Company's regulated operations are subject to the provisions of regulatory accounting under which actions by regulators can provide reasonable assurance of the recognition of an asset, reduce or eliminate the value of an asset and impose a liability on a regulated enterprise. Such regulatory assets and liabilities are required to be recorded and, accordingly, reflected in the balance sheet of an entity subject to regulatory accounting. Accordingly, the Company has not applied the acquisition method of accounting as described within ASC 805, *Business Combinations*, with respect to the acquisition by RCH described above.

(c) Consolidation

These statements present the consolidated financial information of the Company and its wholly owned subsidiary MTEL Long Distance, Inc. All intercompany accounts and transactions have been eliminated in the consolidated financial statements.

(d) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts of assets, liabilities, revenues and expenses, and disclosure of contingent assets and liabilities at the date of the financial statements. The estimates and assumptions used in the accompanying financial statements are based upon management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results realized may differ from these estimates.

MILLINGTON TELEPHONE COMPANY, INC.

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

(e) Cash Equivalents

The Company considers all highly liquid short-term investments purchased with a maturity of three months or less to be cash equivalents.

(f) Accounts Receivable

Accounts receivable are stated at the historical carrying amounts, net of write-offs and allowances for doubtful accounts. The allowance for doubtful accounts reflects the Company's best estimate of probable losses inherent in the Company's receivables determined on the basis of historical experience, market conditions, current trends, and any specifically identified customer collection issues. Uncollectible accounts are written off when a settlement is reached for an amount that is less than the outstanding historical balance or when the Company has determined that collection of the balance is unlikely. At December 31, 2013 and 2012, the Company had recorded allowances of [REDACTED], respectively.

(g) Materials and Supplies

Inventories are valued at the lower of cost (determined using average cost method) or market, except for copper wire and fiber optic cable inventories, which are valued at the lower of cost (determined using specific-identification method) or market.

(h) Telephone Plant and Depreciation

Telephone plant in-service is stated at original cost, including general overhead capitalized and an allowance for funds used during construction. For financial reporting purposes, the Company provides for depreciation using straight-line composite rates over the estimated useful lives of the assets. Telephone plant not subject to regulation is included in nonregulated property and equipment.

When telephone plant is retired, the original cost, net of salvage, is charged against accumulated depreciation. The cost of maintenance and repairs of telephone plant, including the cost of replacing minor items not constituting substantial betterments, is charged to maintenance expense as incurred. When nonregulated property is retired, the cost of the property and the related accumulated depreciation are removed from the balance sheet, and any gain or loss on the transaction is recorded.

(i) Long-Lived Assets

The Company reviews the carrying value of long-lived assets for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of the asset. The factors considered by the Company in performing this assessment include current operating results, trends and prospects, as well as the effects of obsolescence, demand, competition and other economic factors.

(j) Revenue Recognition – Network Access and Long-Distance Settlements

Revenues are recognized when earned and are primarily derived from usage of the Company's local exchange networks and facilities. The Company accrues unbilled revenues earned from the date of

MILLINGTON TELEPHONE COMPANY, INC.

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

the customers' last billing to the end of the accounting period. Certain toll and access service revenues are estimated under cost separation procedures that base revenues on current operating costs and investments in facilities to provide such services.

The Company also participates in revenue pooling arrangements with other local service providers. Such pools were funded by local interexchange carriers and other providers of telecommunications services. Settlements with these revenue pooling arrangements are subject to retroactive adjustments from the pool members. The impacts of these adjustments are recorded in the period in which they are reported to the applicable pool administrator. During 2013 and 2012, the Company recorded out-of-period pooling adjustments of [REDACTED] (increase to earnings), respectively.

(k) Broadband Stimulus Grant

In October 2010, the Company was awarded a [REDACTED] Broadband Initiative Program (BIP) loan and grant administered by the Rural Utilities Service (RUS) to extend its fiber optic network to certain rural areas in West Tennessee. Under the Loan/Grant and Security Agreement, 70% of the cost of the project is a grant, with the remaining cost funded by a long-term loan from RUS. The construction of the project was completed in 2013. As portions of the project were completed, the Company applied for funding from RUS based on the approved plan in the agreement. The grant money received for reimbursement of capital expenditures is accounted for as a deduction from the cost of the asset. The resulting balance sheet presentation reflects the 30% investment in the assets in property, plant and equipment. Depreciation is calculated and recorded based on the 30% investment.

2013

2012



While the construction of the project is complete, the Company is proceeding through the administrative processes with RUS to draw the remaining grant funds under the agreement. The interest rate on the Stimulus Loan is set based on the cost of borrowing by the U.S. Treasury and is calculated for each draw on the loan.

(l) Environmental Remediation Liability

The Company accrues for losses associated with environmental obligations when such losses are probable and can be reasonably estimated. The carrying amount of these liabilities is regularly reviewed and adjusted for new facts.

MILLINGTON TELEPHONE COMPANY, INC.

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

(m) *Income Taxes*

Income taxes are accounted for using the asset and liability method. Deferred taxes are recognized for the tax consequences of temporary differences by applying enacted statutory rates applicable to future years to differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. The Company is included in the ERC consolidated federal and state tax returns beginning on the acquisition date. Income tax expense is calculated on a separate return computational basis.

The Company recognizes tax positions which are more likely than not to be sustained. The Company has determined that it does not have any material unrecognized tax benefits as of December 31, 2013 and 2012.

(n) *Fair Value of Assets and Liabilities*

The Company has estimated the fair value of its financial instruments using available market information or other appropriate valuation methodologies. Considerable judgment, however, is required in interpreting market data to develop certain estimates of fair value. Accordingly, certain estimates are not necessarily indicative of the amounts that the Company would realize in a current market exchange.

The carrying value of cash and cash equivalents, accounts receivable, receivable from RUS, accounts payable, accrued expenses, due from affiliates and due to affiliates approximates fair value because of the short maturity of those instruments.

(o) *Defined Benefit Plan*

The funded status of the defined benefit pension plan (the Plan) is measured as the difference between the fair value of the Plan's assets and the projected benefit obligation (PBO) as of the consolidated balance sheet date. The unrecognized loss, prior service credit and transition asset existing at the time of adoption of the Financial Accounting Standards Board's (FASB) standard for pension accounting is included in accumulated other comprehensive loss. See note 8.

(p) *Subsequent Events*

The Company has evaluated the effect subsequent events would have on the financial statements through March 31, 2014 which was the date the financial statements were available to be issued.

Prior to RCH ownership of MTC, customers were incorrectly charged sales tax on DSL services. The error was discovered in March 2013. The State of Tennessee will reimburse the Company the amounts charged to customers from December 2009 to March 1, 2013 when the Company provides proof of reimbursement to the customers. Customers with active accounts were issued credit on their March 1, 2014 billing totaling [REDACTED]. Inactive customers will be mailed refund checks totaling [REDACTED]. These amounts will be recorded in accounts receivable until the refund is received from the State of Tennessee.

MILLINGTON TELEPHONE COMPANY, INC.

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

(2) Restatement

Subsequent to the issuance of the December 31, 2011 financial statements, several errors were identified in the Company's prior period financial statements, which management corrected by restating retained earnings and accumulated other comprehensive loss (AOCL) as of December 31, 2011. The items comprising the adjustments to January 1, 2012 opening retained earnings and AOCL are as follows:

Misstatements within retained earnings:

Advanced billings liability understatement
Carrier access billings receivable overstatement
Accounts payable overstatement
Materials and supplies overstatement
Accrued expenses overstatement

Overstatement of 2011 retained earnings before income tax benefit

Income tax benefit of above adjustments to 2011 retained earnings

Income tax corrections exclusive of the above

Reclassification to tax effect AOCL

Net decrease to retained earnings at December 31, 2011

Misstatements within AOCL:

Reclassification to tax effect AOCL
Understatement of net pension liability

Net decrease to AOCL at December 31, 2011

Additionally, [REDACTED] of previously appropriated retained earnings were reclassified to unappropriated retained earnings as the matter giving rise to the appropriated retained earnings was no longer relevant at December 31, 2011.

The primary reason that 2011 retained earnings were overstated is due to an error in recording advance billings related to local service and network access. In addition, inventories were overstated primarily due to lack of an appropriate valuation allowance to reflect their condition. Corrections were also made to the recorded deferred income tax assets and liabilities. Restatements of AOCL were also necessary due to AOCL having previously been reported without a tax effect and to increase the AOCL pension liability component, which was understated.

MILLINGTON TELEPHONE COMPANY, INC.

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

(3) Telephone Plant

Telephone plant in-service at December 31, 2013 and 2012 is summarized as follows:

	Estimated useful lives	2013	2012
Land	Indefinite		
Support assets	7 - 33		
Central office switching	8		
Central office transmission	8		
Originating/terminating assets	8		
Cable and wire facilities	20 - 33		

Depreciation expense for telephone plant was [REDACTED] for 2013 and 2012, respectively. The provision, as a percentage of the average balance of telephone plant in service, was [REDACTED] in 2013 and 2012, respectively. The Company periodically evaluates the depreciable lives of its property, plant and equipment and makes adjustments to its depreciation rates accordingly.

(4) Nonregulated Operations

Nonregulated property and equipment, net at December 31 consists of the following:

	Estimated useful lives	2013	2012
Property and equipment:			
Land	Indefinite		
Buildings and leasehold improvements	30 - 44		
Internet and security systems equipment	5 - 10		
Other	7 - 10		
Accumulated depreciation			
Inventory			
Other			

Nonregulated property and equipment is stated at original cost. Depreciation on nonregulated property and equipment is computed using the straight-line method for both financial reporting and income tax

MILLINGTON TELEPHONE COMPANY, INC.

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purposes. Depreciation expense of the nonregulated property and equipment was [REDACTED] for 2013 and 2012, respectively.

During 2012, the Company fully impaired leasehold improvements with a carrying value of [REDACTED]. These leasehold improvements relate to facilities vacated as a result of the acquisition of the Company by RCH in December 2012. As such, facilities were used by Millington CATV, Inc. (MCATV), an affiliated entity also acquired by RCH in December 2012, the impairment charges, net of the future tax benefit to be realized by MTC, were charged to MCATV and are included in due from affiliates in the December 31, 2012 consolidated balance sheet.

Income from nonregulated operations is as follows:

	2013	2012
Data revenues	[REDACTED]	[REDACTED]
Data cost of sales		
Net data revenue		
Sales:		
Customer premises equipment revenue		
Security systems		
Other income		
Total sales		
Expenses:		
Cost of customer premises equipment		
Cost of security systems		
Other expenses		
Total expenses		
Pretax income from nonregulated operations		

(5) Long-Term Debt

Long-term debt at December 31, 2013 and 2012 consists of [REDACTED] respectively, borrowed from the RUS under the Company's 2004 Loan Agreement among the Company, the United States of America, and the Rural Telephone Bank. In December 2012, all of the previous loans drawn under this loan agreement, except the Stimulus Loan, were repaid. The Loan Agreement is secured by all of the assets of the Company and contains loan covenants, including restrictions on dividends, reporting requirements, and certain operational requirements during the construction. The Company was in compliance with the loan covenants on December 31, 2013 and 2012. At December 31, 2013, the remaining balance was reclassified as current maturities of long-term debt as the Company intends to repay the debt in full in 2014.

The RUS will have a retained security interest in the assets funded by the broadband stimulus grant over the economic life of the project (22 years). In the event of default of the terms of the agreement, the

MILLINGTON TELEPHONE COMPANY, INC.




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government could exercise the rights under the retained security interest to gain control and ownership of these assets.

(6) Income Taxes

The provision (benefit) for income taxes attributable to the Company's regulated and nonregulated activities is as follows:

	December 31, 2013		
	Regulated	Nonregulated	Total
Current:			
Federal			
State			
Deferred:			
Federal			
State			
Current:			
Federal			
State			
Deferred:			
Federal			
State			
Deferred:			
Federal			
State			

MILLINGTON TELEPHONE COMPANY, INC.

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The differences between the federal statutory rate and the Company's effective tax rate are as follows:

	2013	2012
Federal taxes at the statutory rate		
State income taxes – net of federal benefit		
Nondeductible transaction costs		
Nondeductible penalties and other		

The tax effects of temporary differences that give rise to significant components of the Company's deferred income taxes at December 31, 2013 and 2012 are as follows:

	2013	2012
Current deferred tax assets:		
Allowance for doubtful accounts		
Inventories		
Compensated absences		
Other		
Net current deferred tax assets		
Noncurrent deferred tax assets (liabilities):		
Telephone plant		
Pension, net		
Accumulated other comprehensive loss		
Noncurrent deferred tax liabilities		

In assessing the realization of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities (including the impact of available carryback and carryforward periods), projected future taxable income and tax planning strategies in making this assessment. Based upon the level of historical taxable income and projections of future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deductible differences at December 31, 2013. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

MILLINGTON TELEPHONE COMPANY, INC.

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(7) Operating Leases

Rental expense under operating leases was [REDACTED] and [REDACTED] in 2013 and 2012, respectively. Future minimum lease payments under these leases are as follows:

2014
2015
2016
Thereafter



(8) Employee Benefit Plans

Defined Benefit Pension Plans

Effective April 1, 2013, the Company froze its defined benefit pension plan (the MTC Plan) and employees of MTC became participants in the Retirement Plan for Employees of E. Ritter & Company and Corporate Subsidiaries (the ERC Plan). Pension benefits under the ERC Plan are based on an employee's years of credited service and compensation. As a result of the decision to freeze the plan, a remeasurement of the plan was performed and a curtailment gain was recognized within net period pension benefit cost. ERC's funding policy is to satisfy the funding requirements of the Employee Retirement Income Security Act of 1974 and to pass these costs to its subsidiaries (including the Company). Employees of MTC became participants in the ERC Plan effective January 1, 2013. Expense related to the ERC Plan was [REDACTED] in 2013.

Prior to April 1, 2013, the Company sponsored a noncontributory defined benefit pension plan (the MTC Plan) covering substantially all its employees. Pension benefits were based on an employee's years of credited service and compensation during the last five years of employment. MTC Plan assets consisted primarily of interest-bearing cash, debt securities and equity securities. MTC's funding policy was to satisfy the funding requirements of the Employee Retirement Income and Security Act of 1974. Income (expense) related to the MTC Plan was [REDACTED] in 2013 and 2012, respectively.

MILLINGTON TELEPHONE COMPANY, INC.

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

At December 31, 2013, ERC parent paid the Company the after-tax book value of the Plan, [REDACTED] and assumed the assets and liabilities of the Plan in conjunction with the merger of the MTC Plan into the ERC Plan. At that time, the book value of the MTC Plan was:

	<u>December 31, 2013</u>
Plan assets	[REDACTED]
Projected benefit obligations	
Unrecognized net loss	
Net book value of Plan	
Tax impact	
After-tax book value	

The following table presents a summary of plan assets, projected benefit obligation, funded status, and benefit activity of the Plan as of December 31:

	<u>2013</u>	<u>2012</u>
Change in PBO:	[REDACTED]	[REDACTED]
At beginning of year, as restated		
Service cost		
Interest cost		
Settlements		
Benefits paid		
Actuarial gain		
Amendments		
Transfer PBO to ERC		
At end of year		
Change in plan assets:		
Fair value at beginning of year		
Actual return		
Employer contributions		
Benefits paid		
Acquisition loss		
Transfer to ERC		
Fair value at end of year		
Funded status:		
Funded status at the end of the year		

MILLINGTON TELEPHONE COMPANY, INC.

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	2013	2012
Amounts not yet reflected in net periodic benefit cost and included in (AOCL):		
Prior service credit		
Accumulated loss		
Transfer to ERC		
AOCL		
Cumulative employer contributions less than net benefit cost		
Net amount recognized in consolidated balance sheet		
Amounts not yet reflected in net periodic benefit cost and expected to be amortized in next year's net periodic benefit cost:		
Prior service credit		
Accumulated loss		
Components of net periodic benefit cost:		
Service cost		
Interest cost		
Recognition of prior service credit due to curtailment		
Settlement		
Expected return on plan assets		
Amortization of prior service credit		
Amortization of accumulated net loss		
Net periodic benefit cost		
Weighted average assumptions to determine benefit obligations:		
Discount rate		
Rate of compensation increase		
Measurement date		

MILLINGTON TELEPHONE COMPANY, INC.

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

	2013	2012
Weighted average assumptions to determine net periodic pension cost:		
Discount rate		
Expected long-term rate of return on plan assets during year		
Rate of compensation increase		
Accumulated benefit obligation		
Information for pension plans with PBO in excess of plan assets:		
PBO		
Fair value of plan assets		
Expected cash flows for the MTC Plan:		
Expected return of assets to employer in next year		
Expected employer contributions for next year		
Expected benefit payments for year ending in:		
2013		
2014		
2015		
2016		
2017		
Next 5 years		

The assumptions above were used to develop the benefit obligations at fiscal year-end and to develop the net periodic benefit cost for 2013. Therefore, the assumptions used to determine net periodic benefit cost for each year were established at the end of the previous year, while the assumptions used to determine benefit obligations are established at each year-end.

The net periodic benefit cost and the benefit obligations are based on actuarial assumptions that are reviewed on an annual basis. These assumptions are revised based on an annual evaluation of long-term trends, as well as market conditions that may have an impact on the cost of providing retirement benefits.

The expected rates of return on plan assets represent the Company's long-term assessment of return expectations, which may change based on shifts in economic and financial market conditions. The 2012 expected rates of return for this plan reflect the long-term outlook for a globally diversified portfolio, which is influenced by a combination of return expectations for individual asset classes, actual historical experience and the Company's diversified investment strategy. The historical returns are one of the inputs used to provide context for the development of expectations for future returns. Using this information, the Company develops ranges of returns for each asset class and a weighted average expected return for the target portfolio.

MILLINGTON TELEPHONE COMPANY, INC.

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December 31, 2013 and 2012

The Plan's asset allocations, including target allocations, and actual weighted averages, at December 31, 2012 are as follows:

	Target	2012	
		Dollar	Percentage
Certificates of deposit			
Debt securities			
Equity securities			
Alternative assets			

The following table provides the components of net assets:

	December 31, 2012			
	Total	Level 1	Level 2	Level 3
Assets:				
Certificates of deposit				
Debt securities				
Equity securities				

401(k) Plan

Until November 30, 2013, MTC sponsored an employee savings plan under Section 401(k) of the Internal Revenue Code (the 401(k) Plan) covering substantially all full-time employees. Employees were allowed to elect to contribute a portion of their eligible pretax compensation up to certain limits as specified by the 401(k) Plan. MTC also made matching contributions at a rate of 100% of the first [REDACTED] of an employee's deferral. Expense related to the 401(k) plan was [REDACTED] during 2013 and 2012, respectively.

Effective December 1, 2013, the Company participates with ERC and ERC's subsidiaries in an employee savings plan under Section 401(k) of the Internal Revenue Code (the 401(k) Plan) covering substantially all full-time employees. Employees may elect to contribute a portion of their eligible pretax compensation up to certain limits as specified by the 401(k) Plan. The Company also makes annual contributions to the 401(k) Plan. Expense for 2013 related to this plan was [REDACTED] and is included in the allocation of employee costs from RCH.

Post-Retirement Benefits Other than Pensions

Prior to the acquisition by RCH, the Company offered certain medical, dental and life insurance benefits to substantially all retired employees. A related post-retirement benefit expense was accrued annually as active employees earned those benefits, and all benefits were paid as incurred. During 2012, the Company terminated all of these postretirement benefits and made payments of [REDACTED] to settle all future obligations related to post-retirement benefits. A gain on termination of the Plan of [REDACTED] is included in other income in the 2012 consolidated statement of operations.

MILLINGTON TELEPHONE COMPANY, INC.

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

(9) Related-Party Transactions

During 2012 the Company furnished labor and benefits to Millington CATV, Inc. and was reimbursed for all incurred costs. The Company billed MCATV [REDACTED] under this arrangement during 2012, and also billed [REDACTED] in interest due on accounts receivable.

Significant portions of accounting and administrative services are provided to the Company by RCH and ERC. These services are primarily billed to the Company in the form of a management fee. Charges to the Company from affiliated entities are calculated based upon cost and a rate of return to provide such services as prescribed by the regulatory process. Charges for these services are as follows:

	<u>2013</u>	<u>2012</u>
Operating expenses:		
Consulting fees – RCH		
Management fees – RCH		
Management fees – ERC		

Receivables (payables) arising from related-party transactions at December 31, 2013 and 2012 are as follows:

ERC
 RCH
 Tri-County Telephone Company, Inc.
 E. Ritter Telephone Company
 E. Ritter Communications, Inc.
 Ritter Transport
 Ritter Cable Corporation
 Millington CATV, Inc.

As a part of the former shareholders' sale of their MTC common stock to RCH in December 2012, the Company paid [REDACTED] of transaction expenses included in other expense in the accompanying consolidated statements of operations. These expenses are treated as nondeductible for income tax reporting purposes.

As part of the December 11, 2012 transaction, MTC received payment for the [REDACTED] receivable due from MCATV as of that date.

MILLINGTON TELEPHONE COMPANY, INC.

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(10) Commitments and Contingencies

During 2013 and 2012 the Company reviewed several areas of environmental compliance and identified areas that required remediation. A reserve for environmental remediation in the amount of [REDACTED] and [REDACTED] is included in accrued expenses in the accompanying consolidated balance sheets at December 31, 2013 and 2012, respectively.

In the stock purchase agreement between RCH and MTC, the shareholders represented that the Company was in compliance with environmental law. Prior to the closing, a [REDACTED] expense was recorded to reflect the expected remediation costs. Pursuant to this agreement, the former shareholders contributed [REDACTED] to the reserve to reflect additional expected costs.

(11) Concentrations

No entity accounted for more than 10% of revenues during 2013 and 2012.

The Company had receivables from the following entities representing more than 10% of total receivables at December 31:

	2013	2012
[REDACTED]	[REDACTED]	[REDACTED]



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**Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed
in Accordance With *Government Auditing Standards***

The Board of Directors and Shareholder
Millington Telephone Company, Inc.:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of Millington Telephone Company, Inc. and subsidiary (the Company), which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income (loss), stockholder's equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 31, 2014.

Internal Control over Financial Reporting

In planning and performing our audits of the consolidated financial statements, we considered the Company's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audits, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

March 31, 2014



KPMG LLP
Suite 900
50 North Front Street
Memphis, TN 38103-1194

**Independent Auditors' Report on Compliance with Aspects of Contractual Agreements and
Regulatory Requirements for Electric Borrowers**

The Board of Directors and Shareholder
Millington Telephone Company, Inc.:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Millington Telephone Company, Inc. and subsidiary (the Company), which comprise the consolidated balance sheet as of December 31, 2013, and the related consolidated statement of operations, comprehensive income, stockholder's equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated March 31, 2014. In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2014, on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters.

In connection with our audit, nothing came to our attention that caused us to believe that the Company failed to comply with the terms, covenants, provisions, or conditions of their loan, grant, and security instruments as set forth in 7 CFR Part 1773, *Policy on Audits of Rural Utilities Service Borrowers*, §1773.33 and clarified in the RUS policy memorandum dated February 7, 2014, insofar as they relate to accounting matters as enumerated below:

- Accounting procedures;
- Accumulating and recording labor, material, and overhead costs, and the distribution of these costs to construction, retirement, and maintenance or other expense accounts;
- Reconciling property records to the general ledger;
- Clearing construction accounts and accruing depreciation on completed construction;
- Recording the retirement of property;
- Seeking approval of the sale, lease or transfer of capital assets and disposition of proceeds for the sale or lease of plant, material, or scrap;
- Maintaining control over materials and supplies;
- Preparing Financial and Operating Reports;
- Obtaining written RUS approval to enter into any contract for the management, operation, or maintenance of the borrower's system if the contract covers all or substantially all of the electric system;
- Disclosing material related party transactions in the financial statements in accordance with accounting principles generally accepted in the United States of America.;



- Recording depreciation in accordance with accounting principles generally accepted in the United States of America;
- Complying with the requirements for the detailed schedule of deferred debits and deferred credits; and
- Complying with the requirements for the detailed schedule of investments.

Our audit was not directed primarily toward obtaining knowledge of noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Company's noncompliance with the above-referenced terms, covenants, provisions, or conditions of the contractual agreements and regulatory requirements, insofar as they relate to accounting matters as enumerated above.

The purpose of this report on compliance with aspects of contractual agreements and regulatory requirements for electric borrowers is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance based on the requirements of 7 CFR Part 1773, *Policy on Audits of Rural Utilities Service Borrowers*, as clarified in the RUS policy memorandum dated February 7, 2014. Accordingly, this report is not suitable for any other purpose.

KPMG LLP

March 31, 2014